

Message Text

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ACTION EB-08

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 FRB-01
INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04 OPIC-06
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
CEA-01 AGRE-00 NEA-10 /101 W
-----082774 032224Z /14

R 031119Z AUG 78
FM AMEMBASSY ISLAMABAD
TO SECSTATE WASHDC 8472

UNCLAS SECTION 1 OF 2 ISLAMABAD 7573

E.O. 11652: N/A
TAGS: ETRD, PK
SUBJ: IMPORT POLICY FOR FY 1979

1. SUMMARY. PAKISTAN'S IMPORT POLICY FOR FY1979 (DOCUMENT MADE PUBLICLY AVAILABLE JULY 24 BUT EFFECTIVE JULY 1) REPRESENTS A SLIGHT LIBERALIZATION BUT WILL NOT HAVE ANY SIGNIFICANT IMPACT ON TRADE IN GENERAL OR ON US-PAK TRADE. THE POLICY MOVES TOWARDS GREATER EFFICIENCY BY ALLOWING THE PRIVATE SECTOR TO IMPORT ITEMS PREVIOUSLY LIMITED TO THE PUBLIC SECTOR. THIS IS PARTIALLY MANIFESTED IN THE LARGER FREE LIST PART A WHICH NOW CONTAINS 355 ITEMS, 22 MORE THAN THE PREVIOUS YEAR. SIGNIFICANT ITEMS NOW IMPORTABLE BY THE PRIVATE SECTOR, AS EARLIER ANNOUNCED, BY GENERAL ZIA IN HIS FEDERAL BUDGET SPEECH INCLUDE TRACTORS, POWER TILLERS, PESTICIDES, EDIBLE OILS AND CEMENT. A LARGE NUMBER OF PRIVATE SECTOR EXPORT INDUSTRIES ARE ALSO ALLOWED TO IMPORT THEIR RAW MATERIAL REQUIREMENTS FROM THE TIED LIST AND/OR ITEMS WHOSE IMPORT IS NORMALLY BANNED. THESE IMPORTS ARE AGAINST CASH UP TO SPECIFIED PERCENTAGE OF EXPORTS VALUE. CERTAIN MEASURES TO SIMPLIFY TRADING PROCEDURES HAVE BEEN INTRODUCED TO HELP IMPORTERS AS WELL AS EXPORTERS. TRADE AND INDUSTRY CIRCLES COUNTRYWIDE HAVE HAILED THE POLICY AS PRODUCTION AND EXPORT ORIENTED. END SUMMARY.

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2. PAKISTAN'S FY 1978 IMPORT POLICY FOR THE TWELVE-MONTHS PERIOD BEGINNING JULY 1, 1978 ENLARGES THE TWO BASIC LISTS (FREE AND TIED) OF PERMISSIBLE IMPORTS. THE FREE LIST INCLUDES ITEMS IMPORTABLE AGAINST CASH FROM WORLDWIDE SOURCES OR UNDER LOANS, CREDITS OR BARTERS, WHILE TIED LIST IMPORTS ARE LIMITED EXCLUSIVELY TO TIED

SOURCES UNDER CREDITS, LOANS INCLUDING PL-480, OR BARTER. THE FREE LIST IS FURTHER BROKEN DOWN INTO THREE CATEGORIES OF IMPORTERS, PART A-ITEMS IMPORTABLE BY ALL REGISTERED IMPORTERS, PART B- ITEMS IMPORTABLE BY INDUSTRIAL CONSUMERS, AND PART C- ITEMS IMPORTABLE BY PUBLIC SECTOR AGENCIES ONLY. THE FREE LIST NOW CONTAINS 438 ITEMS AGAINST 411 LAST YEAR AND THE TIED LIST HAS 22 AS AGAINST THE PREVIOUS YEAR'S 18.

3. THE GOP HAS TAKEN SOME STEPS TO REMOVE DISTORTIONS CAUSED BY INEFFICIENT PUBLIC SECTOR IMPORTERS,, THE NUMBER OF ITEMS IMPORTABLE BY THE PUBLIC SECTOR UNDER THE FREE LIST PART C HAS BEEN REDUCED FROM 34 TO 30 BY SHIFTING FOUR ITEMS TO PART A AND PART B. IMPLEMENTING A COMMITMENT MADE IN GENERAL ZIA'S BUDGET SPEECH, SEVERAL OF THE PUBLIC SECTOR ITEMS IN PART C HAVE ALSO BEEN MADE AVAILABLE FOR PRIVATE SECTOR IMPORTS. THESE ARE : (TO PART A) -PESTICIDES, TRACTORS, COMBINES, HARVESTERS AND MECHANICAL FARMING EQUIPMENT, EDIBLE OILS, CEMENT AND NEWSPRINT PAPER , (TO PART B)- COMPONENTS FOR ASSEMBLY OF AIR CONDITIONERS (DOMESTIC) AND COMPONENTS FOR ASSEMBLY OF REFRIGERATORS (DOMESTIC).

4. UNDER THE FREE LIST PART C, THE PAKISTAN TRACTOR CORPORATION, A PUBLIC SECTOR COMPANY, WAS THE EXCLUSIVE IMPORTER OF TRACTORS IN PAST YEARS. THIS FACILITY HAS UNCLASSIFIED

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NOW BEEN MADE AVAILABLE, UNDER FREE LIST PART A TO THE PRIVATE SECTOR ALSO. AS MANY AS 25 DIFFERENT MODELS OF 17 DIFFERENT MAKES IMPORTED INTO THE COUNTRY POSED A SPARE PART AND MAINTENANCE PROBLEM. TO STANDARDIZE THE MAKES AND TO REDUCE THE PROBLEM, THE GOP HAS NOW LIMITED THE IMPORTS TO FIVE MAKES AND SEVEN MODELS. THESE ARE: INTERNATIONAL HARVESTER (MODEL IH-444-45HP), MASSEY FERGUSON (MODEL 135-47HP), FORD (MODEL 3600-46HP AND MODEL 4600-62.3HP), FIAT (MODEL 480-48HP, AND MODEL 640-64HP) AND BYLARUS (MODEL MTZ50-55HP). THE SEPARATE CATEGORY OF MODELS AND MAKES FOR EXCLUSIVE IMPORTS FROM THE USA HAS BEEN DONE AWAY WITH.

5. THE PREVIOUS YEAR'S LIST OF IMPORTABLE MODELS OF POWER TILLERS HAS BEEN EXPANDED TO INCLUDE SEVEN DIFFERENT KINDS OF MECHANICAL FARMING EQUIPMENT. THESE ARE IMPORTABLE UNDER FREE LIST PART A AND PART C AND INCLUDE: CANE PLANTER, CUTTER BINDER, POTATO/ONION DIGGER, RICE SPROUTS TRANSPLANTER (MODEL DF-2S-CHINESE), ROTARY CUTTER, ROTAVATOR AND SPINNER BROADCASTER. ALL POWER TILLERS AND MECHANICAL FARMING EQUIPMENT ARE IMPORTABLE BY THE PRIVATE SECTOR FROM WORLDWIDE SOURCES, PROVIDED

THE ITEM IS NOT MANUFACTURED IN THE COUNTRY. THE PAKISTAN TRACTOR CORPORATION WILL IMPORT POWER TILLERS AND MECHANICAL FARMING EQUIPMENT IN COMPETITION WITH PRIVATE SECTOR FIRMS.

6. WHILE THE FEDERAL MINISTRY OF AGRICULTURE WILL CONTINUE TO IMPORT CERTAIN TYPES OF PESTICIDES UNDER THE FREE LIST PART C, THE PRIVATE SECTOR HAS BEEN ALLOWED TO IMPORT PESTICIDES OTHER THAN THE ONES IMPORTED BY THE MINISTRY OF AGRICULTURE.

7. FORMERLY, EDIBLE OILS WERE IMPORTABLE ONLY BY THE PAKISTAN EDIBLE OIL CORPORATION, A PUBLIC SECTOR AGENCY, FOR CONSUMPTION BY THE GHEE CORPORATION UNITS, UNCLASSIFIED

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THE PRIVATE SECTOR WAS ENTIRELY DEPENDENT ON LOCAL AVAILABILITY OF EDIBLE OILS WHICH WAS NOT SUFFICIENT TO MEET ITS REQUIREMENTS. PRIVATE SECTOR IMPORTS OF EDIBLE OILS COULD INCREASE THE DOMESTIC PRODUCTION OF REFINED OIL AND HELP ALLEVIATE THE TRADITIONAL GHEE (COOKING MEDIUM) SCARCITY IN THE COUNTRY.

8. FOR SOME TIME CEMENT AVAILABILITY HAS BEEN INSUFFICIENT TO MEET PAKISTAN'S REQUIREMENTS, ALTHOUGH EXISTING DOMESTIC PRODUCTION HAS BEEN SUPPLEMENTED BY IMPORTS BY THE PUBLIC SECTOR UNDER FREE LIST PART C. CONSUMERS HAVE BEEN FACED WITH HIGHER MARKET PRICES AND BLACK MARKET OPERATIONS. IMPORTS HAVE NOW BEEN ALLOWED BY THE PRIVATE SECTOR ALSO TO TRY TO EASE THE TIGHT SUPPLY SITUATION. HUMMEL

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ACTION EB-08

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FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-07 CEA-01 AGRE-00 /101 W

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R 031119Z AUG 78
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9. THE NEW POLICY INCLUDES THE FOLLOWING MEASURES
DESIGNED TO SATISFY REPEATED COMPLAINTS OF TRADERS:
A) THE MONETARY CEILING OF LICENSES F FOR IMPORT OF
INDUSTRIAL PLANT AND MACHINERY HAS BEEN RAISED TO
RS.2.5 MILLION (C AND F VALUE) UNIFORMLY FOR CASH AS WELL
AS FOR CREDIT, LOANS AND BARTER SOURCES , BUT ONLY ONE
SOURCE OF FINANCING CAN BE USED. THE PREVIOUS LIMIT
FOR CASH WAS RS.1.5 MILLION AND FOR CREDIT, LOANS AND
BARTER RS.2.0 MILLION, B) THE TIME LIMIT FOR OPENING
OF LCS AFTER RECEIVING AN IMPORT PERMIT HAS BEEN
EXTENDED TO 60 DAYS FROM 45 DAYS. THIS MOVE SATISFIES
IMPORTERS COMPLAINTS OVER DELAYS IN THE BANKS
PROCESSING OF LCS. (C) THE DOCUMENTATION REQUIREMENT
FOR ISSUANCE OF IMPORT LICENSES FOR RAW MATERIAL
REPLENISHMENT AGAINST EXPORT PROCEEDS, HAS BEEN
SIMPLIFIED. THE OLD REQUIREMENT OF CERTIFICATION BY
THE STATE BANK FOR REALIZATION OF EXPORT PROCEEDS HAS
BEEN REPLACED BY ALLOWING THE EXPORTERS OWN BANK TO
CERTIFY THE RECEIPT OF EXPORT EARNINGS.

10. THE COMPLETE LIST OF ADDITIONS TO THE FREE LIST
PART A IS AS FOLLOWS: FERRO-ALLOYS INCLUDING INGOTS
AND PRIMARY FORMS (ITC 36.07 III, 73.02), NEWSPRINT
PAPER (ITC 48.01 V) , PESTICIDES (ITC 38.11), EDIBLE
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OILS, COTTON SEED/SOYA BEAN, PALM OIL
(ITC 15.07 I, II, VIII, X AND 15.08 II), CEMENT
GREY (ITC 25.23 I 2), BALL BEARINGS (ITC 84.62),
PATENT FUELS (ITC 27.14), TRACTORS (ITC 87.01 I), POWER
TILLERS, COMBINE HARVESTERS AND MECHANICAL FARMING EQUIPMENT
(ITC 84.24 II, 84.25 I, 84.28), YARN AND THREAD OF MAN-MADE
FIBER EXCLUDING ABOVE 100 DENIERS OF RAYON AND ACETATE YARN
(ITC 51.01 I 2, II, 51.02 I,II, IV, 51.03 I 2, II,
56.05 AND 56.06) AND TYRES OF SOLID RUBBER (ITC
40.11 V). THE ONLY DELETION IS COKE (ITC 27.04).
IMPORT OF SYNTHETIC YARN (ITC 56.01, I, 56.04 I)
PREVIOUSLY ON LOOM QUOTA BASIS IS NOW FREE OF QUOTA
RESTRICTION AND IS ALLOWED UNDER FREE LIST PART A.

11. PART B HAS 53 ITEMS, 9 MORE THAN THE PREVIOUS
YEAR. THESE INCLUDE (A) 5 NEW ITEMS (B)TWO ITEMS
DIVIDED INTO 6, (C)TWO ITEMS SHIFTED FROM PART C AND

(D) TWO ITEMS SHIFTED TO PART A. IMPORTANT ADDITIONS ARE: COMPONENTS FOR ASSEMBLY OF AIR CONDITIONERS (DOMESTIC)- (ITC 84.11 I 2(I), 84.12 I, II, 84.18 III, 85.18 IV, 85.19 III 6, 90.28), COMPONENTS FOR ASSEMBLY OF REFRIGERATORS (DOMESTIC) (ITC 84.11 I 1(I), 84.15 I, 84.18 III, 85.18 IV, 85.19 III 6, 90.28), PECTIN (ITC 13.03 IV), IRON AND STEEL COLD ROLLED TUBES (ITC 73.18 III 2), MARBLE, SAWING, CUTTING, RUBBING AND POLISHING MACHINES WITH ACCESSORIES (ITC 84.46), EGG TRAYS (PAPER), (ITC 48.21 V). THE TWO EXCLUSIONS ARE BALL BEARINGS AND YARN AND THREAD OF MAN-MADE FIBER SHIFTED TO PART A.

12. WITH 30 ITEMS, PART C IS SMALLER BY 4 ITEMS THIS YEAR, TWO OF WHICH HAVE BEEN SHIFTED TO PART A AND TWO TO PART B. THESE ARE: A) NEWSPRINT PAPER AND (B) JUTE SACKS AND BAGS FOR PACKING (ITC 62.03) (TAKEN AWAY FROM UNCLASSIFIED

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TRADING CORPORATION OF PAKISTAN), (C) COMPONENTS FOR ASSEMBLY OF AIR CONDITIONERS (DOMESTIC) D) COMPONENTS FOR ASSEMBLY OF REFRIGERATORS (DOMESTIC) (TAKEN AWAY FROM BOARD OF INDUSTRIAL MANAGEMENT).

13. FOUR TIED LIST ADDITIONS, RAISING THE TOTAL TO 22,, RESULTED FROM SHIFTED OF THESE MANY ITEMS FROM FREE LIST PART A. THESE ARE (A) SANITARY WARE (ITC 69.10), (B) EARTHEN, CHINA OR PORCELAIN TABLEWARE- DOMESTIC ONLY (ITC 69.11, 69.12), (C) ENAMEL BATH TUBS (ITC 73.3 II), AND (D) ELECTRIC FLOURESCENT LIGHTING TUBES (ITC 85.20).

14. ON THE WHOLE THE POLICY CHANGES WOULD NOT HAVE ANY SIGNIFICANT IMPACT ON US-PAK TRADE. THE PRIMARY PURPOSE OF THE CHANGES IS TO ENCOURAGE EXPORTS AND ASSIST DOMESTIC PRODUCTION.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: IMPORTS, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 03 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978ISLAMA07573
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780319-0400
Format: TEL
From: ISLAMABAD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197808103/aaaadiqz.tel
Line Count: 264
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 041c0358-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1550794
Secure: OPEN
Status: NATIVE
Subject: IMPORT POLICY FOR FY 1979
TAGS: ETRD, PK
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/041c0358-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014